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C O N F I D E N T I A L DHAKA 002748

SIPDIS

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TAGS: [EFIN](#) [PGOV](#) [EAID](#) [BG](#)

SUBJECT: AMBASSADOR PAYS FAREWELL CALL ON FINANCE MINISTER

Classified By: P/E Counselor D.C. McCullough, reason para 1.4 b.

1. (SBU) On June 12, Ambassador called on Finance Minister Saifur Rahman to discuss the latter's recent trip to Washington and other issues. He was accompanied by USAID Director George and econoff (notetaker). Septel reports Rahman's comments on the new BDG budget.

2. (C) Noting that he would soon be departing post, the Ambassador thanked Rahman for his support and cooperation on key issues over the past two years. Rahman wished the Ambassador well, and expressed appreciation for his help in setting up a productive series of meetings for Rahman's recent visit to Washington.

3. (C) Rahman highlighted as particularly important his meeting with new World Bank President Paul Wolfowitz, who he said was in a "listening mode" that allowed Rahman to explain fully his perspectives on Bangladesh. Rahman added that opposition Awami League president Sheikh Hasina had sent a letter to Wolfowitz listing alleged human rights abuses in Bangladesh and urging the Bank to support her call for an early national election and reforms in the caretaker government system. Such letters, Rahman complained, discredit Bangladesh and undermine BDG efforts to promote development.

4. (SBU) Ambassador asked about BDG progress on issuing municipal bonds, and cited a December 2004 seminar that discussed the advantages of bonds for generating revenue at the municipal level. The BDG, he observed, is heavily centralized, in part because local governments have no independent revenue. He encouraged the minister to implement a pilot bond program in two localities, one urban and one rural. Rahman undertook to pursue the matter with World Bank Country Director Wallich.

5. (C) USAID Director acknowledged the BDG's acute interest in qualifying for the Millennium Challenge Account (MCA). While Bangladesh has made significant strides in most areas of MCA concern, especially in human development and education, he said, corruption remains an over-riding obstacle for Bangladesh. The BDG could boost its case by demonstrating strong, effective action against corruption. He encouraged Rahman to work with the USG on developing strategies and mechanisms to combat corruption.

6. (C) Turning to the new but troubled Anti-Corruption Commission (ACC), USAID Director expressed concern over its slow start and its lack of enforcement authority. Rahman agreed that the ACC has not functioned as hoped but said he has organized a high-level BDG meeting to discuss the role of the ACC and identify ways to give the ACC "some teeth." He asked the USG for resources and technology to build enforcement and regulatory capacity in the ACC.  
THOMAS